

## **STATEMENT OF CONSIDERATIONS**

### **ADVANCE CLASS WAIVER OF PATENT RIGHTS FOR TECHNOLOGY DEVELOPED UNDER DOE FUNDING AGREEMENTS RELATING TO DOE'S CONTINUOUS FIBER CERAMICS COMPOSITE PROGRAM W(C)-92-005**

In the report of the House Committee on appropriations relating to the Department of Interior and Related Agencies Appropriations Act of 1990 (Public Law 101-121), DOE was requested to develop and implement a comprehensive program for the development of continuous fiber ceramic composites (CFCC's). Accordingly, DOE, acting through its office of Industrial Programs under the Assistant Secretary for Conservation and Renewable Energy, has established and is now implementing a CFCC development program.

Under the CFCC Program, DOE is selecting a number of separate teams to develop a variety of CFCC technical areas (Projects) proposed by the teams. Each of the CFCC Projects is expected to proceed in three phases with DOE awarding an assistance agreement to one of the participants on each of the project teams who in turn will manage their project and subcontract portions of the work to the various team members as agreed among the participants. It is anticipated that each of the teams will develop an appropriate allocation of patent rights among the participants to facilitate the commercial development of the respective technical areas to be developed under the CFCC Program. Toward that end, it is believed that a class waiver of the Government's patent rights as set forth in the following will promote the policies and objectives of Chapter 18, Title 35 of the U.S. Code.

The CFCC Program is expected to improve the primary CFCC processing methods currently being used by U.S. based manufacturers and thereby enhance the international competitive position of domestic manufacturers. When applied to several readily identifiable applications to be developed under this program, it has been estimated that an annual energy savings equal to about seventeen (17) million barrels of oil per year could be achieved if these technologies are adopted by U.S. industry.

It is anticipated that the various team members will come primarily from the U.S. ceramics industry and the National Laboratories. The nature of the team members' participation will take a number of different forms. For example, a particular participant may be involved with the program on a full basis throughout the entire CFCC Program, on a project by project basis, on a basis only requiring participation in selected project areas, or on some other limited basis where the obligations assumed, the rights received, and the degrees of involvement are less than full participation. In any event, it is expected that the allocation of patent rights for each of the

CFCC Projects will be negotiated by the participants on the basis of the equities among the various participants on each team. It is therefore the purpose of this class waiver to vest title to the parties' inventions with the team members in a fashion enabling them to expeditiously commercialize the various CFCC technologies. Accordingly, DOE will waive the Government's title to subject inventions under each CFCC Project, other than inventions made by Bayh-Dole participants pursuant to P.L. 96-517, as amended, to the respective prime contractor or designated holding company designated by the prime contractor for each of the CFCC Projects.

Under the CFCC Program, all of the teams are expected to cost share in their respective CFCC Projects. However, given the differences between the various technologies being pursued, it is expected that there will be some variation in the level of cost sharing among the different projects in Phase I. Typically, as the CFCC Projects develop in subsequent phases, the participants' programmatic cost sharing requirements will increase over Phase I levels. In an effort to recognize the inherent differences among the various technologies, yet preserve the participants' incentive to continue their participation in the program, the waiver will apply to all subject inventions under a project and shall be effective at such time as the Contracting Officer certifies that the total cost sharing for all obligated phases, beginning with Phase I, is at least twenty percent (20%) in aggregate. If after the waiver becomes effective, the total aggregate cost-sharing drops below twenty percent (20%) in any subsequent phase, the waiver will not apply to any subject inventions made during that particular phase. If a participant is no longer a member of the project team when the team meets the aggregate cost sharing requirement, DOE will nonetheless waive title to prior subject inventions of the absent participant to that participant's prime contractor or designated holding company pursuant to the terms of this waiver.

By way of illustration, if cost sharing in Phase I was fifteen percent (15%) and subsequent cost sharing in Phase II was sufficient to bring the total cost sharing for both phases above twenty percent (20%), DOE would waive title to any inventions made by a large business participant during Phases I and II to the prime contractor or designated holding company, regardless of whether that participant was still involved with the CFCC Project. This approach is expected to preclude the disruptive fragmentation of large business patent rights within each of the CFCC Projects.

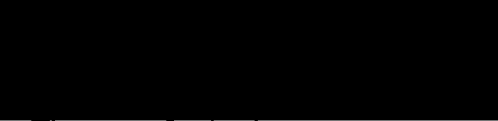
This class waiver of the Government's rights in inventions is subject to the usual Government license and march-in rights and a U.S. preference provision comparable to those set out in 35 U.S.C. 203 and 204. Additionally, products sold or used in the United States by the participants which embody inventions under this waiver must be substantially manufactured in the United States, and further, any license or other transfer of rights in a subject invention to third parties other than licensees or affiliates of the participants at the time of this agreement must be approved by DOE prior to any such transfer.

The grant of this class waiver should not result in adverse effects on competition or market concentration. Rather, the waiver should enhance competition and growth of the CFCC industry in the United States, and in particular, broaden the competitive base of U.S. manufacturers. Moreover, waived inventions will be subject to a royalty-free license to the Government and DOE has the right to require periodic reports on the utilization or the efforts at obtaining utilization that are being made for the waived inventions. If a participant which has obtained title is not making reasonable efforts to utilize a waived invention, DOE can exercise its march-in right and require licensing of the invention.


In addition to the above, all participants under the CFCC Program other than participants which are domestic small businesses or non-profits under P.L. 96-517, as amended, shall give DOE written notice of their acceptance of the terms and conditions of this class waiver prior to entering into any agreement under the CFCC Program. Except as otherwise specifically approved by Field Patent Counsel, a participant's acceptance of an agreement under the CFCC Program shall constitute that participant's acceptance of the terms and conditions of the class waiver.

In the event a participant does not participate in subsequent phases of its respective CFCC Project, the prime contractor or designated holding company, as the remaining participants in such CFCC Project may decide, shall retain as a minimum a royalty-free nonexclusive license throughout the world, with the right to grant sublicenses in each subject invention held by such participant pursuant to this class waiver.

Considering the foregoing, in view of the statutory objectives to be obtained and the factors to be considered under DOE's statutory waiver policy, all of which have been considered, it has been determined that this class waiver as set forth above will best serve the interest of the United States and the general public. It is therefore recommended that the waiver be granted.

  
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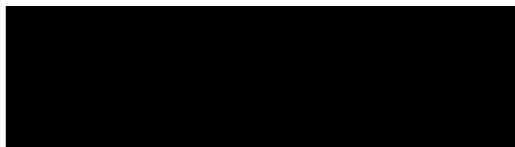
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Tyrone Davis  
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Property Counsel

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Based upon the foregoing Statement of Considerations, it is determined that the interests of the United States and the general public will best be served by a waiver of United States and foreign patent rights as set forth herein and, therefore, the waiver is granted. This waiver shall not affect any waiver previously granted.

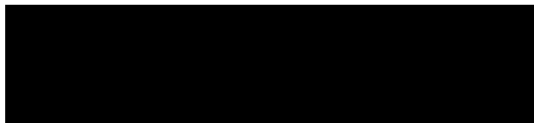
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